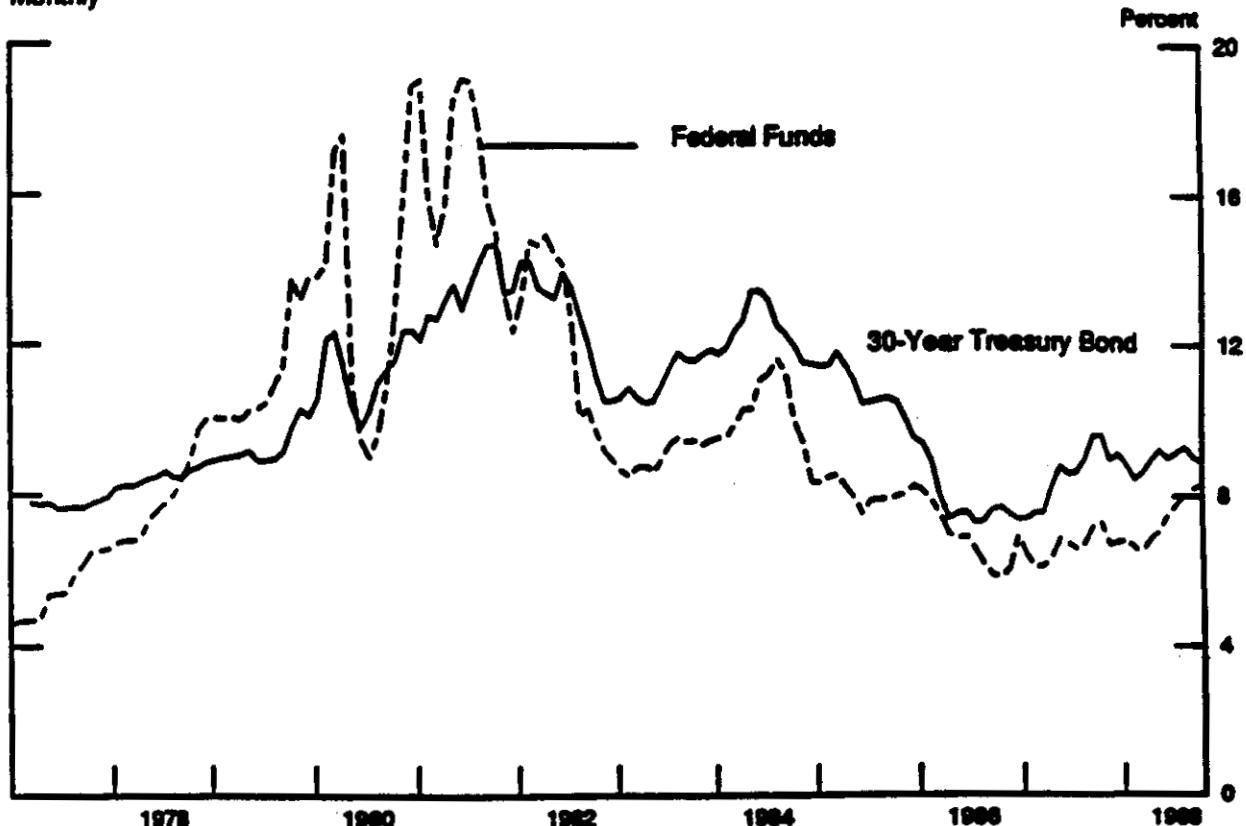


*Material for
FOMC Policy Briefing*

December 14, 1988

Chart 1
30-year Treasury Bond
and Federal Funds Rates

Monthly



Weeks Ending Friday

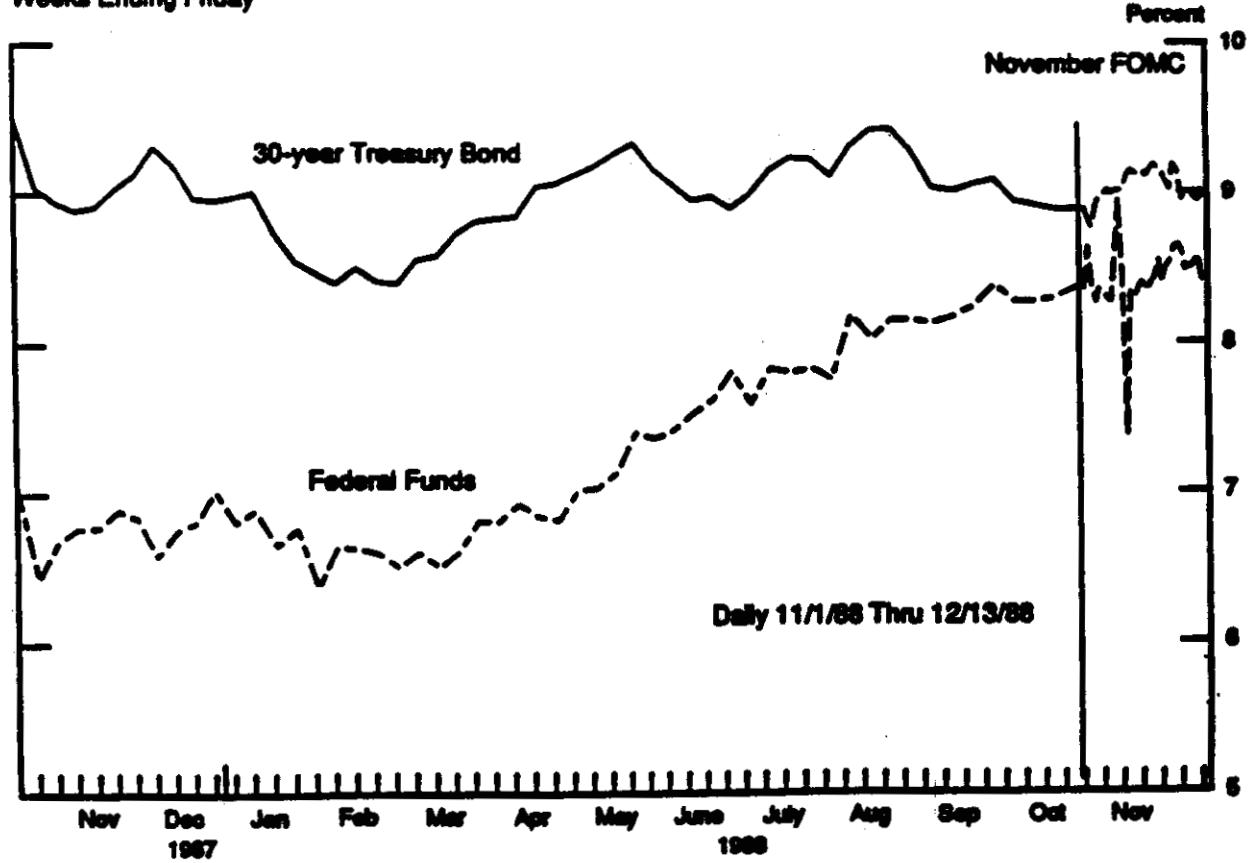


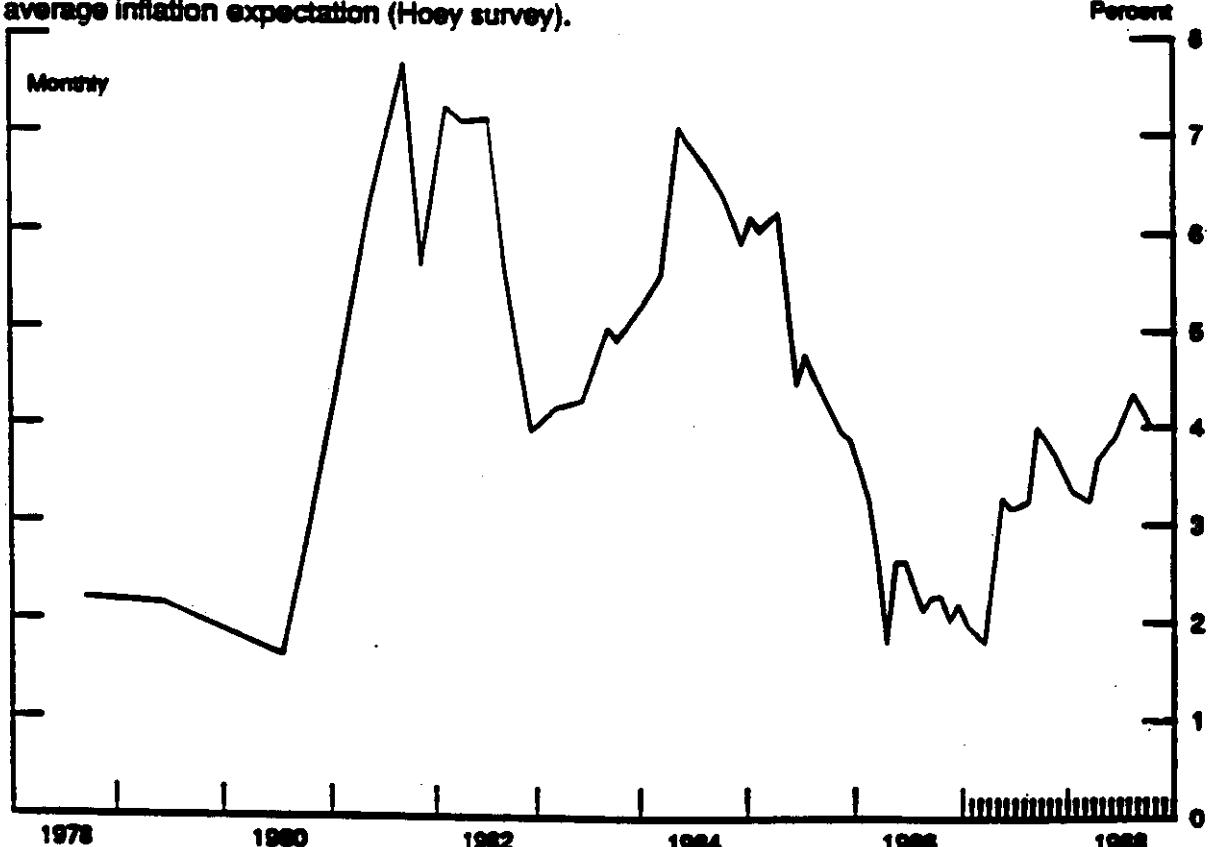
Chart 2

Inflation Expectations
(Hoey Survey)

Survey Date	Next 12 months	First 5 years	Second 5 years	10-year average
-----annual rate, percent-----				
1986: Q1	3.5	4.9	5.7	5.3
Q2	3.4	4.8	5.7	5.3
Q3	3.5	4.8	5.5	5.1
Q4	3.6	4.7	5.5	5.1
1987: January	3.8	4.9	5.4	5.1
March	4.0	5.2	5.8	5.5
May	4.7	5.3	5.4	5.3
June	4.6	5.2	5.3	5.3
August	4.9	5.4	5.7	5.5
September	4.7	5.3	5.6	5.4
November	4.1	5.0	5.3	5.1
1988: January	4.5	5.2	5.5	5.3
March	4.3	5.0	5.3	5.2
April	4.7	5.1	5.0	5.1
June	5.1	5.1	4.9	5.0
August	5.3	5.1	4.8	4.9
October	4.9	4.7	4.9	4.8

ESTIMATED REAL INTEREST RATE

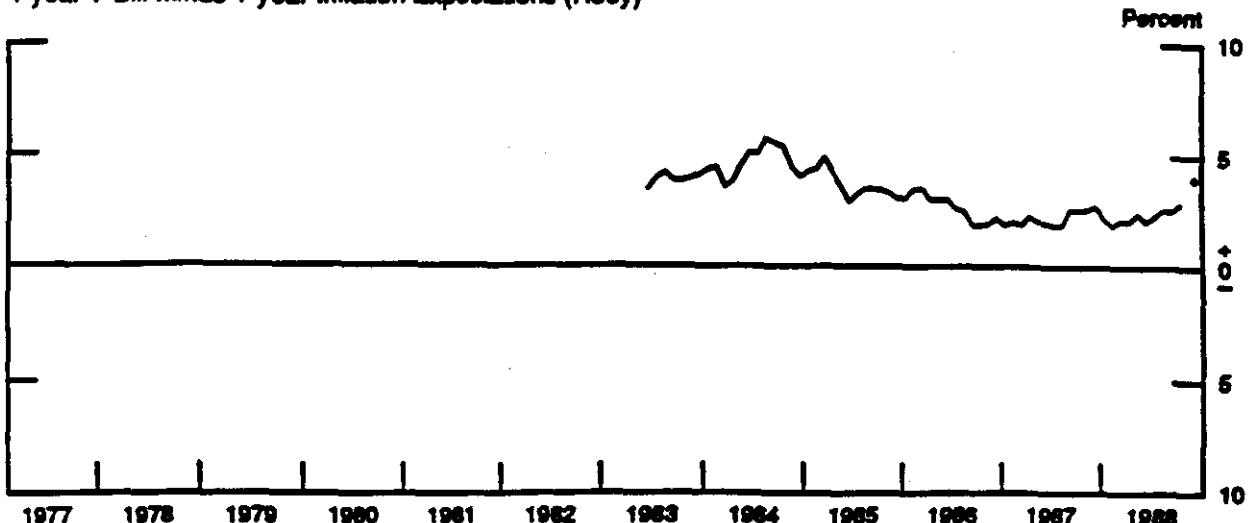
10-year Treasury bond yield less 10-year
 average inflation expectation (Hoey survey).



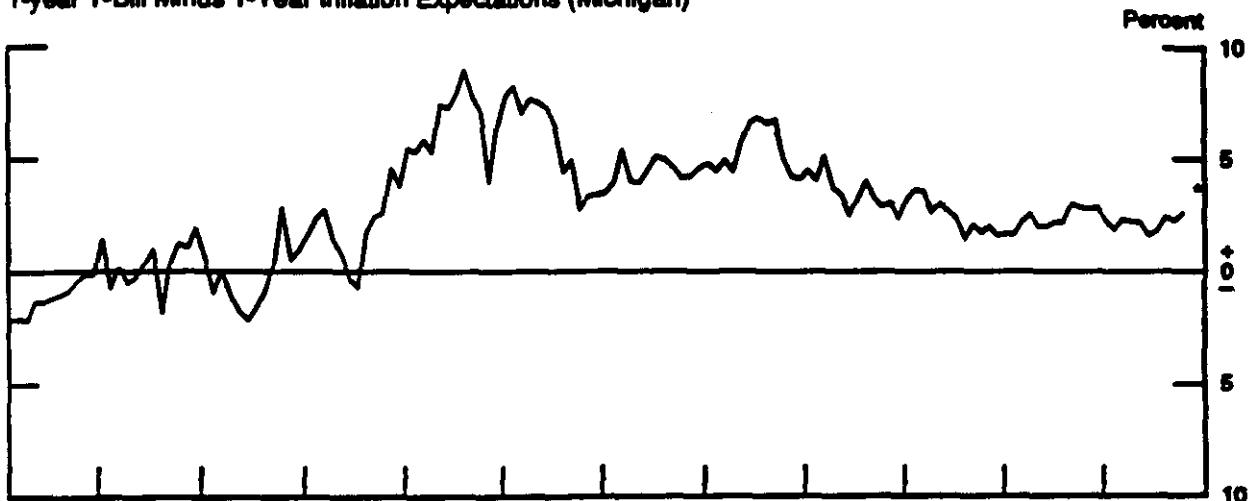
Monthly observations for survey months; last observation is October 1988.

One-Year Real Interest Rates

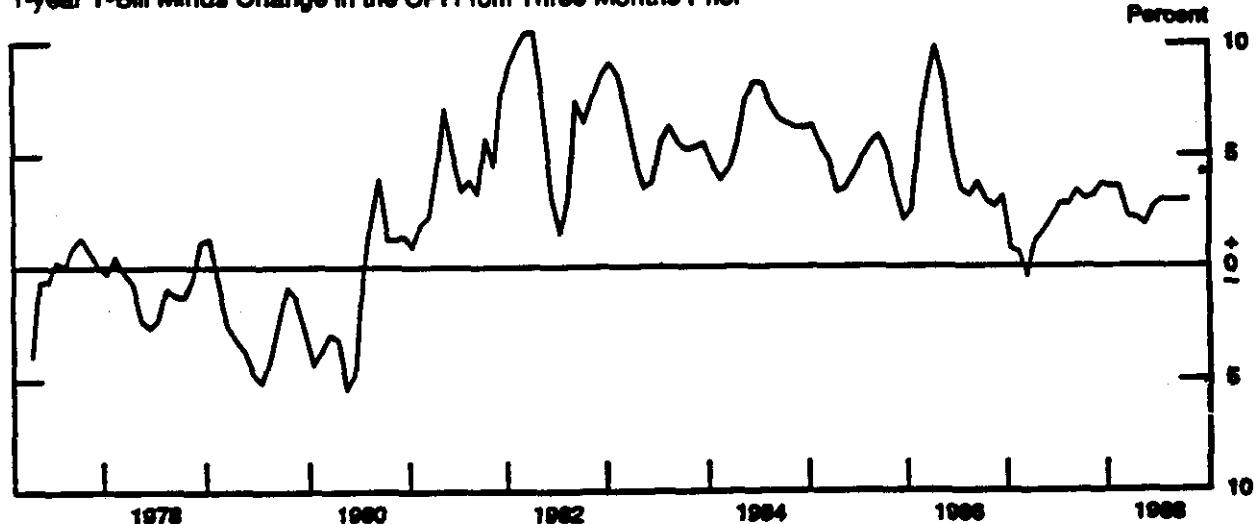
1-year T-Bill Minus 1-year Inflation Expectations (Hoey)



1-year T-Bill Minus 1-Year Inflation Expectations (Michigan)



1-year T-Bill Minus Change in the CPI From Three Months Prior



Note: T-Bill is on a coupon equivalent basis.

* Denotes t-bill rate as of 12/13/88 less most recent inflation expectation.